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SUBJECT: ECONOMIC HIGHLIGHTS SEPT-OCT 2007

REF: CASABLANCA 192

¶1. Included in this round up: the tourism sector continues to grow, air traffic increases, the automobile sector gains an investor, the problems at Casablanca Port are resolved, and the energy sector is set to grow.

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TOURISM GROWS  
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¶2. Approximately 5.2 million tourists visited Morocco in the first eight months of 2007, an increase of 12 percent year-on-year. In addition, over one million tourists visited the country in July alone, according to the Ministry of Tourism. During the same period, tourism receipts increased 11 percent to USD 5.1 billion. Tourism receipts are the country's main source of foreign currency. The number of nights that tourists spent in hotels increased six percent for the same period, reaching 11.9 million. Marrakech remains the leading tourist destination and had a growth rate of 11 percent for the period, followed by Casablanca (10 percent), Tangier (9 percent) and Fez (7 percent). The GOM hopes to attract 10 million tourists per year by 2010.

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AIR TRAFFIC INCREASES  
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¶3. During the first eight months of 2007, the number of international passengers transiting Moroccan airports increased 20 percent to 6.7 million compared to 5.6 million during the same period of 2006. Almost half (48 percent) of the passengers used Casablanca's Mohamed V Airport hub, while the country's two principal tourist destinations, Marrakech and Agadir, received 28 percent and 12 percent of passengers respectively. The MinistQ of Transport hailed the introduction of new discount airlines EasyJet, RyanAir, Jet4You, and Aigle Azur as being largely responsible for this increase.

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NEW AUTOMOBILE SECTOR INVESTMENT  
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¶4. Renault-Nissan Alliance announced a new USD 840 million investment in Morocco to manufacture cars. The initial phase of the investment will cost USD 490 million and produce 200,000 vehicles by ¶2010. Upon completion, the facility will manufacture 400,000 cars annually and create 6,000 new jobs, as well as 30,000 indirect jobs. The plant will be built in the new free-trade port in Tangier and produce a new generation of light commercial vehicles for Nissan and variants of Renault's low-cost Logan car. The company plans to export 90 percent of vehicles manufactured at the plant.

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INFLATION JUMPS  
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¶5. Consumer prices rose 2.2 percent in Morocco during the

January-September period of 2007. Housing and food prices led the increase, rising by 3.4 and 3.2 percent respectively. However, inflation was up 1.3 percent in September alone, mainly due to a 2.7 percent rise in food prices. The GOM's predicted annual inflation rate of 2.0 percent for 2007 is threatened by this recent increase.

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CASA PORT  
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¶16. The congestion problem at Morocco's principal port, Casablanca (see reftel), has been largely resolved. Ships had been delayed in docking and offloading for up to 14 days recently until customs and offload operations were increased to a 24/7 basis. Empty containers had been clogging the port until additional storage space was made available, larger than expected seasonal increases in volume were complicated by reduced working hours during Ramadan, and operational changes due to recent reforms complicated matters further. While the port has weathered this crisis, potential long-term problems of insufficient infrastructure and operational inefficiencies remain that could create as additional problems in the future.

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ENERGY  
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¶17. Morocco's rapidly growing demand for electricity (8 percent annually) has led to a number of activities to boost electrical production. The National Electricity Office (ONE) recently introduced Initiative 1,000 MW to increase the country's wind energy capacity to 1,000 MG by 2012. The Tarafaya Wind Farm Project plans to produce 300 MW of electricity in southern Morocco starting in ¶2010. In addition, the Energipro Initiative encourages some of Morocco's leading companies to produce their own power from renewable sources and offers that ONE will buy any surplus energy at an incentive price and assures the transit of all electricity.

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NUCLEAR  
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¶18. During French President Sarkozy's recent visit to Morocco he announced that France sought to cooperate with Morocco's civilian nuclear energy program. Reportedly, representatives from the two governments will start negotiations on a framework agreement concerning the number and sites of the future plants. Discussions could also cover the use of nuclear energy to desalinate sea water for water deficient Morocco.

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